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University of New Orleans Foundation

***Financial Statements and Additional Information
for the Year Ended June 30, 2006, and
Independent Auditors' Report***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/15/06

UNIVERSITY OF NEW ORLEANS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the University of New Orleans Foundation (the "Foundation") as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2006, and the changes in its net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2006, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

August 28, 2006

**UNIVERSITY OF NEW ORLEANS FOUNDATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2006**

ASSETS

Current Assets

Cash and cash equivalents	\$ 18,623
Accrued interest receivable	
Investments	782,652
Accounts receivable, net	1,038,535
Unconditional promises to give, net	533,500
Inventories	23,597
Deferred charges and prepaid expenses	21,514
Notes receivable	
Cash restricted for debt service	
Other current assets	2,386
Total current assets	<u>2,420,807</u>

Noncurrent Assets

Restricted assets:

Cash and cash equivalents	
Investments	51,445,844
Accounts receivable, net	
Notes receivable	
Other	
Investments	125,411
Unconditional promises to give, net	663,189
Notes receivable	
Property and equipment, net	11,637,464
Assets under capital leases, net	775,052
Other noncurrent assets	116,906
Total noncurrent assets	<u>64,763,866</u>

Total assets

\$ 67,184,673

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 973,250
Deferred revenues	
Amounts held in custody for others	1,743,746
Compensated absences payable	
Capital lease obligations	21,800
Current portion of notes payable	2,928,169
Current portion of bonds payable	111,000
Other current liabilities—due to University	1,228,878
Total current liabilities	<u>7,006,843</u>

Noncurrent Liabilities

Amounts held in custody for others	13,490,755
Compensated absences payable	
Capital lease obligations, net of current portion	732,997
Notes payable, net of current portion	
Bonds payable, net of current portion	1,507,000
Other noncurrent liabilities	
Total noncurrent liabilities	<u>15,730,752</u>

Total liabilities

22,737,595

NET ASSETS

Unrestricted	4,398,253
Temporarily restricted	8,521,544
Permanently restricted	31,527,281
Total net assets	<u>44,447,078</u>

Total Liabilities and Net Assets

\$ 67,184,673

See Notes to financial statements.

**UNIVERSITY OF NEW ORLEANS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Changes in unrestricted net assets:	
Contributions	\$ 827,958
Investment earnings	471,171
Service fees	1,046,755
Grants and contracts	
Other revenues	680,316
Total unrestricted revenues	<u>3,026,200</u>
Net assets released from restrictions:	
Satisfaction of program expenses	4,672,415
Total unrestricted revenues and other support	<u>7,698,615</u>
Expenses:	
Amounts paid to benefit University of New Orleans for:	
Projects specified by donors	
Projects specified by the Board of Directors	
Other:	
Grants and contracts	
Property operations	428,510
Other	4,941,636
Total program expenses	<u>5,370,146</u>
Supporting services:	
Salaries and benefits	927,216
Occupancy	29,141
Office operations	19,498
Travel	
Professional services	210,269
Dues and subscriptions	5,891
Meetings and development	18,114
Depreciation	291,169
Provision for uncollectible accounts	50,202
Merchandise expense	
Loss on sale or impairment of assets	
Other	251,563
Total supporting services	<u>1,803,063</u>
Total expenses	<u>7,173,209</u>
Increase in unrestricted net assets	<u>525,406</u>
Changes in temporarily restricted net assets:	
Contributions	2,275,391
Grants	482,770
Investment earnings	2,548,108
Other	192,996
Total temporarily restricted revenues	<u>5,499,265</u>
Net assets released from restrictions:	
Satisfaction of program expenses	(4,672,415)
Transfer of restricted earnings to permanently restricted endowment principal	(519,322)
Increase in temporarily restricted net assets	<u>307,528</u>
Changes in permanently restricted net assets:	
Contributions	708,348
Investment earnings	1,256
Transfer of restricted earnings to permanently restricted endowment principal	519,322
Other	7,065
Increase in permanently restricted net assets	<u>1,235,991</u>
Increase in net assets	<u>2,068,925</u>
Net assets at beginning of year	<u>42,378,153</u>
Net assets at end of year	<u>\$ 44,447,078</u>

See Notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006

OPERATING ACTIVITIES:

Increase in net assets	\$ 2,068,925
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation and amortization	291,169
Provision for uncollectible accounts	50,202
Gift of building	(1,535,000)
Realized gain on investments—net	(972,035)
Unrealized gain on investments—net	(1,182,523)
Restricted net assets received	(2,983,739)
Changes in assets and liabilities:	
Accounts receivable	(124,907)
Unconditional promises to give	97,488
Other assets	185,298
Accounts payable and accrued expenses and other liabilities	<u>998,535</u>
Net cash used in operating activities	<u>(3,106,587)</u>

INVESTING ACTIVITIES:

Capitalized costs of improvements to real estate	(320,856)
Net decrease in investments	7,473
Increase in amounts held in custody for others - noncurrent	<u>1,186,216</u>
Net cash provided by investing activities	<u>872,833</u>

FINANCING ACTIVITIES:

Contributions for permanently restricted net assets	708,348
Contributions for temporarily restricted net assets	2,275,391
Repayment of notes payable, bonds payable, and capital lease obligation	<u>(753,173)</u>
Net cash provided by financing activities	<u>2,230,566</u>

DECREASE IN CASH (3,188)

CASH AND CASH EQUIVALENTS—Beginning of year 21,811

CASH AND CASH EQUIVALENTS—End of year \$ 18,623

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:

Gift of building (see Note 5) \$ 1,535,000

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of New Orleans Foundation (the "Foundation"), a registered non-profit corporation, was established in 1984 with a mission of serving the University of New Orleans (the "University") by raising private sector funds for the advancement of the University. The financial statements include the operations of the University of New Orleans Studio Center.

The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed in the preparation of the accompanying financial statements are described below:

Basis of Presentation—The Foundation follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- **Unrestricted**—Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted**—Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.
- **Permanently Restricted**—Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Contributions—Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional Promises to Give—Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectibility.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments—Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, are allocated equitably to the participating funds. Investment gains on restricted net assets are classified consistent with the related investment income unless specific donor or legal restrictions dictate otherwise.

Real Estate—Real estate is held for investment, development or sale purposes and is recorded at cost or fair market value on the date donated. Real estate (excluding land) is depreciated over 40 years on a straight-line basis. Certain real estate investments are being actively marketed for sale.

Plant Assets and Depreciation—Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on date of donation, net of accumulated depreciation. Depreciation of buildings, furnishings and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from three years for vehicles and equipment to 40 years for buildings.

Impairment of Long-Lived Assets—Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Amounts Held in Custody for Others—Amounts held in custody for others represent funds held in trust for others. These amounts are not owned by the Foundation and the related net income is not earned by the Foundation, but is added directly to the assets of the funds invested for others (see Note 11). The Foundation considers all matching funds and unexpended income from these funds as amounts held in custody for others.

Fundraising Expenses—All expenses associated with fundraising activities are expensed as incurred, including any expenses related to fundraising appeals in a subsequent year. For the year ended June 30, 2006, total supporting services expenses related to fundraising were \$266,563.

Income Taxes—Income taxes have not been provided for in the financial statements as the Foundation was organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is, therefore, of tax exempt status.

2. INVESTMENTS

Investments are composed of the following at June 30, 2006:

	Market
Corporate stocks	\$ 19,223,902
Mutual funds—equities	11,211,883
Corporate bonds	3,300,263
U.S. government obligations	7,490,802
Money market funds	8,554,121
Insurance contracts	<u>2,572,936</u>
	<u>\$ 52,353,907</u>

Investments are reported in the accompanying statement of financial position as follows:

Investments—short-term, primarily money market funds	\$ 782,652
Restricted investments—noncurrent	51,445,844
Other noncurrent investments	<u>125,411</u>
	<u>\$ 52,353,907</u>

Investment income is reported net of investment expenses in the accompanying financial statements.
Net investment income is comprised of the following at June 30, 2006:

Interest and dividends	\$ 915,287
Realized gains	972,035
Unrealized gains—net	1,182,523
Investment expenses	<u>(49,310)</u>
	<u>\$ 3,020,535</u>

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as unconditional promises to give and revenue of the appropriate net asset category and are stated at fair value based on the discounted present value of expected future cash flows.

Contributions receivable are expected to be realized in the following periods:

In one year or less	\$ 533,500
Between one year and five years	903,498
More than five years	<u>200,000</u>
	1,636,998
Less present value discount of \$245,934 (5% discount rate) and allowance for uncollectible pledges of \$194,375	<u>(440,309)</u>
	<u>\$ 1,196,689</u>

Contributions receivable at June 30, 2006, have the following restrictions:

Temporarily restricted by donor imposed stipulations for university programs, activities, and building construction	\$ 735,383
Endowment for university programs and activities	<u>461,306</u>
	<u>\$ 1,196,689</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components at June 30, 2006:

Real estate held for investment, development, or sale	\$ 11,201,994
Plant assets	<u>435,470</u>
	<u>\$ 11,637,464</u>

5. REAL ESTATE HELD FOR INVESTMENT, DEVELOPMENT OR SALE

In November 1993, the Foundation acquired by donation a 120,000 square foot office building located in downtown New Orleans valued at approximately \$2.4 million. The building was subsequently upgraded to house the University of New Orleans Technology Enterprise Center. Prior to Hurricane Katrina which struck the metropolitan area in August 2005, the University and other state agencies occupied approximately 78% of the building, non-profits occupied 3% and small and/or minority businesses occupied the remaining 19% in a business incubator for new and growing businesses. As a result of hurricane related damages, the building was vacant for most of fiscal 2006 and is not expected to reopen until sometime in fiscal 2007. All repairs are expected to be funded by insurance.

On December 30, 1994, the Foundation purchased a complex of buildings in the Lee Circle area of downtown New Orleans from a private company. The properties were purchased for \$3.2 million, which was entirely financed by a local bank. The seller of the properties is leasing back a portion of the available space to use as corporate offices for \$32,522 per month through 2019, periodically adjusted for increases or decreases in the prevailing rate of a five year treasury note. Most of the remainder of the property will be used for the Ogden Museum of Southern Art ("Museum") and to support the teaching mission of the UNO Fine Arts Department. A capital campaign is being conducted to raise the necessary funds to complete development of these properties by the Ogden Museum of Southern Art, Inc., a separate 501(c)(3) corporation created to operate and support the Museum. During September 2004, the Foundation amended a lease agreement related to its Lee Circle properties and received an advance lease payment of \$600,000 with the understanding that title to the property would transfer to the lessee at some time prior to 2014. As a result of the terms, the advance lease payment was characterized as a sale for financial reporting purposes during the fiscal year ended June 30, 2005.

The Ogden Museum project has been segregated into two phases: Goldring Hall and the Patrick F. Taylor Memorial Library, both of which will be used as art exhibition facilities. Goldring Hall was constructed using a combination of grants from the State of Louisiana and private funds. During 1999, the Foundation transferred to the University land held for the Ogden Museum development with a carrying value of \$322,025 and funds of \$2,418,000 representing amounts previously collected from donors to fund the Museum's development. Goldring Hall opened on August 23, 2003.

The Patrick F. Taylor Memorial Library ("Taylor Library") phase of the Ogden Museum is being financed with private funds. Through June 30, 2006, the Foundation had expended \$3,582,170 in construction related costs to renovate this historic building. Work on the renovation was suspended in 2003 to allow for the securing of additional private funding to complete the project. A separate board to govern the Ogden Museum (the "Museum Board") is functioning and the Foundation is no longer funding or operating the Museum. The Foundation intends to make Taylor Library available to the Museum Board for completion of renovations by the Museum Board. As a result of delays in obtaining additional contributions to fund improvements and further delays due to Hurricane Katrina which caused the Ogden Museum to suspend operations for approximately six months, no additional expenditures have been made on the Taylor Library since 2003, nor has it been placed in service. Despite its incomplete status management of the Foundation believes there is no impairment in the carrying value of the Taylor Library.

In December 1996, an act of donation was executed whereby a collection of artwork was donated to the Foundation contingent on completion of an appropriate Museum structure to showcase the artwork. The donor is to maintain custody of the artwork until the Ogden museum is completed. The donor agreed to maintain insurance against loss or damage of the artwork, designating the Foundation as the named insured. A significant portion of the donor's artwork has been loaned to the Museum for display in the Goldring Hall portion of the Museum. In 2004, the Foundation and the donor modified their understanding to clarify that the remainder of the artwork would be donated and title would be transferred by fiscal 2007, assuming that the Taylor Library has been completed by that time and the tunnel connecting the Taylor Library to Goldring Hall is then operational. As of June 30, 2006, the fair value of the artwork has not been established and the Taylor Library remains incomplete. Due to no formal documentation of the artwork's value being provided, no amount has been recorded in the financial statements related to this proposed gift.

During November 2003, the Foundation entered into an agreement to lease certain real estate to a third party for no rent for ten years. The Foundation intends to make this real estate available to the Museum Board in order for the Museum Board to build a tunnel connecting the two exhibition facilities within the Ogden Museum: Goldring Hall and the Taylor Library. At the earlier of the tunnel being completed or the end of the lease term, the ownership of the real estate will be transferred to the third party at no cost to the third party. The Foundation will retain and make available to the Museum Board a right of access to the tunnel portion of the property. Since the Foundation will receive no annual rent or cash proceeds for the real estate, the net book value of the real estate of \$400,923 was written-off at June 30, 2004.

In July 2001, the Foundation purchased the land and building of the University of New Orleans Studio Center (the "Studio Center") from a private company. The properties were purchased for approximately \$1.8 million, which was entirely financed through the issuance of bonds (see Note 7). The Foundation has entered into a cooperative endeavor agreement with the University, whereby the University reimburses the Foundation approximately \$200,000 annually for the use of the Studio Center.

In August 2005, the Foundation acquired by donation a 73,152 square foot warehouse located near the University of New Orleans Studio Center valued at approximately \$1.5 million. The donor donated one-half of the warehouse to the Foundation and irrevocably pledged the transfer and donation of the other half of the warehouse to the Foundation at the end of the lease term, which is August 2010, or the passing of the donor, whichever is earlier. The Foundation will lease from the donor one-half of the warehouse for five years for a nominal amount. As of June 30, 2006, one-half of the donation was recorded as unrestricted contribution and the remaining half of the donation was recorded as a temporarily restricted contribution due to the donor-imposed stipulation that expires with the passage of time.

At June 30, 2006, real estate held for investment, development, or sale consists of the following:

Technology Enterprise Center	\$ 2,901,269
Film Studio Center	4,775,976
Lee Circle Properties:	
Taylor Library—construction in progress	3,582,170
Land and commercial buildings	<u>1,719,700</u>
	12,979,115
Less accumulated depreciation	<u>(1,777,121)</u>
	<u>\$ 11,201,994</u>

6. PLANT ASSETS AND DEPRECIATION

At June 30, 2006, plant assets consisted of the following:

Land	\$ 129,000
Buildings	373,156
Equipment	665,602
Vehicles	<u>29,513</u>
	1,197,271
Less accumulated depreciation	<u>(761,801)</u>
	<u>\$ 435,470</u>

The property and assets shown above are owned by the Foundation but the majority of these assets are used by the University of New Orleans in support of its educational and research activities.

7. NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2006, consist of the following:

Note payable to a bank, payable in full in March 2007.

The note bears interest at a variable rate (8.25% at June 30, 2006) and is secured by real estate held for investment, development or sale (Note 5)

\$2,928,169

Bond payable to a bank, interest is payable semi-annually, principal is due in annual installments ranging from \$95,000 to \$188,000. A portion of the principal balance totaling \$851,000 bears interest at 5.3%. The remaining portion bears interest at 7.5%. These bonds are secured by land and building related to the film studio.

1,618,000

Total

4,546,169

Less amounts payable currently

3,039,169

Long-term portion

\$1,507,000

Annual maturities of long-term debt are as follows:

Years Ending
June 30

Amount

2007

\$3,039,169

2008

118,000

2009

124,000

2010

131,000

2011

138,000

Thereafter

996,000

Total

\$4,546,169

Interest paid during 2006, all of which was charged to operations, was \$539,996.

The Foundation intends to refinance its current obligations during 2007 on a long-term basis.

8. CAPITALIZED LEASES

The Foundation leases building equipment under long-term leases. Future minimum payments for capitalized leases as of June 30, 2006, are as follows:

Years Ending June 30	
2007	\$ 49,393
2008	49,393
2009	49,393
2010	49,393
2011	49,393
Subsequent to 2010	<u>745,595</u>
Total minimum lease payments	992,560
Lease amount representing interest	<u>(237,763)</u>
Present value of minimum lease payments	<u>\$ 754,797</u>

At June 30, 2006, the net book value of assets recorded under capital leases amounted to:

Building equipment	\$ 968,626
Less accumulated amortization	<u>(193,574)</u>
	<u>\$ 775,052</u>

The related building equipment is a component of the University of New Orleans Technology Enterprise Center (see Note 5).

9. NET ASSETS

Temporarily and permanently restricted net assets are restricted to the following at June 30, 2006:

Temporarily restricted:	
Building funds	\$ 2,667,918
Scholarships	929,323
Faculty—salary supplements	99,865
Research	623,917
Educational studies—program	1,090,626
Departmental development	<u>3,109,895</u>
Total temporarily restricted	<u>\$ 8,521,544</u>
Permanently restricted:	
Scholarships	\$ 3,024,195
Faculty—salary supplements	2,541,465
Research	12,163,615
Educational studies—program	12,191,378
Departmental development	<u>1,606,628</u>
Total permanently restricted	<u>\$31,527,281</u>

10. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions during fiscal year 2006 by incurring expenses satisfying the restricted purposes specified by donors as set forth below:

Purpose restrictions accomplished:	
Program services	\$4,437,235
Fund raising	46,330
Equipment purchases	<u>188,850</u>
	<u>\$4,672,415</u>

11. THE LOUISIANA ENDOWMENT TRUST FUND FOR EMINENT SCHOLARS

One of the Foundation's primary objectives is to raise funds to provide endowed professorships and chairs to the University. The Louisiana Endowment Trust Fund for Eminent Scholars was created by the Louisiana legislature in 1983 to provide state funds as a challenge grant to eligible public and private institutions which would be responsible for providing matching funds obtained from gifts. Endowed professorships are established at \$100,000 and endowed chairs at \$1,000,000, with the State providing 40% of the funding once the Foundation has acquired 60% of the principal through private gifts. The University is allowed to apply for the 40% match while maintaining the 60% private gift in the Foundation. Investment earnings on such funds which are unspent in a given year are transferred back to permanently restricted net assets for reinvestment to benefit future periods. Funds are pooled for investment purposes in the Foundation, but the State's 40% match is recognized as a liability to the University under the caption "Amounts Held in Custody For Others." The amount held in custody for others in noncurrent liabilities at June 30, 2006, that was attributable to the Eminent Scholars Program was \$13,490,755.

12. PROGRAM EXPENSES

Program expenses during the year ended June 30, 2006, were incurred for:

	Program Support	Property Operations	Total Expenses
Transfer to University/Alumni	\$2,030,626	\$ -	\$2,030,626
Interest expense		138,642	138,642
Contract services	1,016,400	34,445	1,050,845
Official functions (entertainment)	94,885	166	95,051
Personnel costs	248,865	108,966	357,831
Property maintenance and rent	134,908	97,828	232,736
Office supplies and services	220,769	15,777	236,546
Professional fees	361,420	30,780	392,200
Utilities	11,886	1,857	13,743
Other miscellaneous expenses	<u>821,877</u>	<u>49</u>	<u>821,926</u>
	<u>\$4,941,636</u>	<u>\$428,510</u>	<u>\$5,370,146</u>

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. RELATED PARTY TRANSACTIONS

The Foundation administers the financial assets and maintains the financial records of The School Leadership Center, the UNO International Alumni Association, the Privateer Athletic Foundation, the UNO Property and Housing Development Foundation, and other entities affiliated with the University. Amounts held in custody for others included in current liabilities amounting to \$1,743,746 at June 30, 2006, represent funds collected by the Foundation on behalf of these affiliates in excess of expenditures made on behalf of these affiliates.

In the normal course of business, the Foundation reimburses the University for certain expenses. Included in expenses for 2006 is \$345,430 which represents reimbursements due to the University. At June 30, 2006, funds due to the University totaled \$1,228,878 and funds due from the University totaled \$89,011.

At June 30, 2006, funds due from the University of New Orleans Research and Technology Foundation, which is an affiliated entity, totaled \$167,913.

During fiscal 2004, the administrative support activities for the operations of the Ogden Museum were transferred to the Museum Board (see Note 5). At June 30, 2006, the Foundation had receivables from the Museum Board totaling \$200,807. The Foundation recorded a reserve for doubtful accounts related to this receivable from the Museum Board of \$200,807 as of June 30, 2006. This estimate is based on the Foundation's consideration of factors such as past payment experience with the Museum, any known financial restrictions, and general economic conditions.

14. HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina struck the New Orleans metropolitan area causing unprecedented damages attributable to the storm and subsequent flooding due to the levee failures. The University curtailed operations at the beginning of the fall semester of 2005 and reopened from remote locations during the fall semester. The University moved back to the main campus in January 2006 albeit with a smaller student body. Foundation staff were forced to vacate their offices and relocated out of the metropolitan area for several months. The repopulation of the metropolitan area has progressed slowly with authorities estimating in August 2006 that population in the metropolitan area at that time approximated 80% of pre-Katrina levels. As a result of the disruption caused by the hurricane, both in terms of the Foundation staffing and activities as well as the University's traditional benefactors and alumni, the pace of fundraising and development activities were severely impacted in fiscal 2006.

Some of the Foundation's properties were damaged as result of the hurricane and related flooding. The properties are insured by the State of Louisiana Office of Risk Management ("ORM") and management expects to recover nearly all of the cost of repairing the facilities and returning them to service. During the repair phase, no rents are being received on the properties and some tenants may ultimately be lost to relocation.

* * * * *

ADDITIONAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 17 through 25 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information was prepared to provide the LSU System with the Foundation's Supporting Footnotes and Schedules in an alternative format to meet the requirements of the Office of Statewide Reporting and Accounting Policy and such information is not a required part of the basic financial statements. This additional information is the responsibility of the Foundation's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

August 28, 2006

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPORTING FOOTNOTES AND SCHEDULES

OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY FORMAT AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

The following footnotes and schedules are presented at the request of the LSU System to facilitate the presentation of combined financial statements in conformity with requirements of the Office of Statewide Reporting and Accounting Policy. The information presented does not purport to present all disclosures necessary for a full understanding of the Foundation's financial condition and changes in its net assets. The basic financial statements on pages 2 through 14 should be reviewed for a more complete understanding.

NOTE A.15 DESCRIPTION OF FOUNDATION

The University of New Orleans Foundation is a legally separate, tax exempt organization supporting the LSU System, specifically the following campus: University of New Orleans. This Foundation was included in the University's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2006, the University of New Orleans Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of \$4,941,636.

Complete financial statements for the University of New Orleans Foundation can be obtained from 2021 Lakeshore Drive, Suite 307, New Orleans, LA 70122 or from the Foundation's website at: www.unofoundation.org.

The University of New Orleans Foundation is a nonprofit organization that reports under Financial Accounting Standards Board ("FASB") standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board ("GASB") revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

2. CASH AND CASH EQUIVALENTS

Cash & cash equivalents, per the Statement of Financial Position	\$ 18,623
Total cash deposits in excess of Federally insured limits at year end	None
Did cash deposits exceed Federal insured limits anytime during the year ? (answer Yes or No)	No
Number of active bank accounts	3

26. AMOUNTS HELD IN CUSTODY FOR OTHERS

Entity	Balance at June 30, 2006
UNO eminent scholars	\$ 13,490,755
Various affiliated organizations	<u>1,743,746</u>
Total temporarily restricted	<u>\$ 15,234,501</u>

NOTE E. CAPITAL ASSETS

SCHEDULE OF CAPITAL ASSETS (schedule includes capital leases)

	Balance 6/30/2005	Prior Period Adjustment	Restated Balance 6/30/2005	Additions	Transfers	Retirements	Balance 6/30/2006
Capital assets not being depreciated							
Land	\$ 3,504,644	\$ -	\$ 3,504,644	\$ -	\$ -	\$ -	\$ 3,504,644
Non-depreciable land improvements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	572,386	-	572,386	-	(457,997)	-	114,389
Total capital assets not being depreciated	<u>\$ 4,077,030</u>	<u>\$ -</u>	<u>\$ 4,077,030</u>	<u>\$ -</u>	<u>\$ (457,997)</u>	<u>\$ -</u>	<u>\$ 3,619,033</u>
Other capital assets							
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable land improvements	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Buildings	8,524,154	-	8,524,154	1,848,471	457,997	-	10,830,622
Less accumulated depreciation	<u>(1,759,597)</u>	-	<u>(1,759,597)</u>	<u>(286,302)</u>	-	-	<u>(2,045,899)</u>
Total buildings	<u>6,764,557</u>	<u>-</u>	<u>6,764,557</u>	<u>1,562,169</u>	<u>457,997</u>	<u>-</u>	<u>8,784,723</u>
Equipment	711,882	-	711,882	7,385	-	-	719,267
Less accumulated depreciation	<u>(708,113)</u>	-	<u>(708,113)</u>	<u>(2,394)</u>	-	-	<u>(710,507)</u>
Total equipment	<u>3,769</u>	<u>-</u>	<u>3,769</u>	<u>4,991</u>	<u>-</u>	<u>-</u>	<u>8,760</u>
Library books	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Total library books	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other capital assets	<u>\$ 6,768,326</u>	<u>\$ -</u>	<u>\$ 6,768,326</u>	<u>\$ 1,567,160</u>	<u>\$ 457,997.00</u>	<u>\$ -</u>	<u>\$ 8,793,483</u>
Capital Asset Summary:							
Capital assets not being depreciated	\$ 4,077,030	\$ -	\$ 4,077,030	\$ -	\$ (457,997)	\$ -	\$ 3,619,033
Other capital assets, at cost	9,236,036	-	9,236,036	1,855,856	457,997	-	11,549,889
Total cost of capital assets	<u>13,313,066</u>	<u>-</u>	<u>13,313,066</u>	<u>1,855,856</u>	<u>-</u>	<u>-</u>	<u>15,168,922</u>
Less accumulated depreciation	<u>(2,467,710)</u>	<u>-</u>	<u>(2,467,710)</u>	<u>(288,696)</u>	<u>-</u>	<u>-</u>	<u>(2,756,406)</u>
Capital assets, net	<u>\$ 10,845,356</u>	<u>\$ -</u>	<u>\$ 10,845,356</u>	<u>\$ 1,567,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,412,516</u>

NOTE I. BONDS & NOTES PAYABLE & CAPITAL LEASES

	Balance June 30, 2005	Additions	Reductions	Balance at June 30, 2006	Amounts due within one year
Bonds & notes payable & capital leases:					
Bonds payable	\$ 1,724,000	\$ -	\$ 106,000	\$ 1,618,000	\$ 111,000
Notes payable	3,544,219	-	616,050	2,928,169	2,928,169
Capital lease obligations	785,920	-	31,123	754,797	21,800
Total bonds, notes and capital leases	6,054,139	-	753,173	5,300,966	3,060,969
Other liabilities:					
Amounts held in custody for others	13,764,086	1,470,415	-	15,234,501	1,743,746
Compensated absences payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Total other liabilities	13,764,086	1,470,415	-	15,234,501	1,743,746
Total long-term liabilities	\$ 19,818,225	\$ 1,470,415	\$ 753,173	\$ 20,535,467	\$ 4,804,715

A detailed summary, by issues, of all debt outstanding at June 30, 2006, including outstanding interest of \$43,034 is shown on Schedule 1. Schedule 2 is an amortization schedule of the outstanding debt.

Nature of lease	Date of lease	Amount of leased assets (historical cost)	Last payment date	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space				\$	\$
b. Equipment	03/01/00	968,626	10/01/19	237,763	754,797
c. Land					
Total assets under cap. lease		\$ 968,626		\$ 237,763	\$ 754,797

Year ending June 30:

[illegible]

Total minimum lease payments
Less: amounts representing executory costs
Net minimum lease payments
Less: amounts representing interest
Present value - net minimum lease payments

SCHEDULE 1-A BONDS PAYABLE

STATE OF LOUISIANA

Louisiana State University System
University of New Orleans Foundation
SCHEDULE OF BONDS PAYABLE
June 30, 2006

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/05	(Redeemed) Issued	Principal Outstanding 6/30/06	Interest Rates	Interest Outstanding 6/30/06
Regions Bank	07/11/01	2,000,000	1,724,000	(106,000)	\$ 1,618,000	7.5%	\$ 35,731
Total		<u>\$ 2,000,000</u>	<u>\$ 1,724,000</u>	<u>\$ (106,000)</u>	<u>\$ 1,618,000</u>		<u>\$ 35,731</u>

SCHEDULE 1-C NOTES PAYABLE

STATE OF LOUISIANA

Louisiana State University System
University of New Orleans Foundation
SCHEDULE OF NOTES PAYABLE
June 30, 2005

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/05	(Redeemed) Issued	Principal Outstanding 6/30/06	Interest Rates	Interest Outstanding 6/30/06
Whitney National Bank	Mar-04	5,450,000	3,544,219	(616,050)	\$ 2,928,169	8.25%	7,303
Total		<u>\$ 5,450,000</u>	<u>\$ 3,544,219</u>	<u>\$ (616,050)</u>	<u>\$ 2,928,169</u>		<u>\$ 7,303</u>

SCHEDULE 2-A BONDS PAYABLE AMORTIZATION

University of New Orleans Foundation

Schedule of Bonds Payable Amortization for the Year Ended June 30, 2006

Fiscal Year Ending	Principal	Interest	Total
2007	111,000	82,812	193,812
2008	118,000	76,744	194,744
2009	124,000	70,331	194,331
2010	131,000	63,574	194,574
2011	138,000	56,445	194,445
2012	145,000	48,946	193,946
2013	153,000	41,049	194,049
2014	161,000	32,728	193,728
2015	170,000	23,956	193,956
2016	179,000	14,708	193,708
2017	188,000	4,982	192,982
2018			0
2019			0
2020			0
TOTAL	\$1,618,000	\$516,275	\$2,134,275

List the terms by which interest rate changes for variable-rate debt:

A portion of the principal balance totaling \$851,000 currently bears interest at 5.3%. Such rate is subject to readjustment at August 1, 2006 and August 1, 2011 at a discount from a specified index rate.

SCHEDULE 2-B NOTES PAYABLE AMORTIZATION

University of New Orleans Foundation

Schedule of Notes Payable Amortization for the Year Ended June 30, 2006

Fiscal Year Ending	Principal	Interest	Total
2007	2,928,169	180,000	3,108,169
2008			0
2009			0
2010			0
2011			0
2012-2016			0
2017-2021			0
2022-2026			0
2027-2031			0
2032-2036			0
TOTAL	\$2,928,169	\$180,000	\$3,108,169

List the terms by which interest rate changes for variable-rate debt:

The variable rate changes monthly based on the prime rate.

SCHEDULE 2-C CAPITAL LEASE AMORTIZATION

University of New Orleans Foundation

SCHEDULE OF CAPITAL LEASE AMORTIZATION For the Year Ended June 30, 2006

Fiscal Year Ending	Beginning Balance	Payment	Interest	Principal	Balance
2007	754,797	49,393	27,593	21,800	732,997
2008	732,997	49,393	26,204	23,189	709,808
2009	709,808	49,393	25,728	23,665	686,143
2010	686,143	49,393	22,334	27,059	659,084
2011	659,084	49,393	22,334	27,059	632,025
2012-2016	632,025	209,276	82,390	126,886	505,139
2017-2021	505,139	536,319	31,180	505,139	0
2022-2026		-			-
2027-2031		-			-
2032-2036		-			-
TOTAL		992,560	237,763	754,797	

SUPPLEMENTAL SCHEDULES



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 28 through 31 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Foundation's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

August 28, 2006

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—PRIVATEER ATHLETIC FOUNDATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2006

REVENUE AND SUPPORT:

Program revenues	\$ 12,890
Contributions and bequests	<u>121,860</u>
Total revenue and support	<u>134,750</u>

EXPENSES:

Program support	57,360
General and administrative	2,897
Fund raising	<u>9,407</u>
Total expenses	<u>69,664</u>

EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ 65,086</u>
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UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS INTERNATIONAL ALUMNI ASSOCIATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2006

REVENUE AND SUPPORT:

Contributions and bequests	\$ 91,838
UNO Foundation support	217,914
Program revenue	<u>44,205</u>
Total revenue and support	<u>353,957</u>

EXPENSES:

Program services	67,486
General and administrative	121,915
Fund raising	<u>17,554</u>
Total expenses	<u>206,955</u>

EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ 147,002</u>
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UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS PROPERTY AND HOUSING DEVELOPMENT FOUNDATION STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2006

ASSETS

Cash	\$ 50
Accounts receivable	9,552
Real estate—net	2,588,328
Due from the University of New Orleans Foundation	<u>124,104</u>
TOTAL	<u>\$2,722,034</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 2,551
Note payable	<u>1,423,907</u>
Total liabilities	1,426,458
NET ASSETS	<u>1,295,576</u>
TOTAL	<u>\$2,722,034</u>

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS PROPERTY AND HOUSING DEVELOPMENT FOUNDATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2006

REVENUE AND SUPPORT:

Contributions and bequests	\$ -
Rental income	<u>68,631</u>

Total revenue and support	<u>68,631</u>
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EXPENSES:

General and administrative	72,072
Operating expense	25,430
Interest expense	<u>66,973</u>

Total expenses	<u>164,475</u>
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EXCESS OF EXPENSES OVER REVENUE AND SUPPORT	(95,844)
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BEGINNING NET ASSETS	<u>1,391,420</u>
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ENDING NET ASSETS	<u>\$1,295,576</u>
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the financial statements of the University of New Orleans Foundation (the "Foundation"), as of and for the year ended June 30, 2006, and have issued our report thereon dated August 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated August 28, 2006.

This report is intended for the information and use of the Board of Directors, management, others within the Foundation and officials of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte + Touche LLP

August 28, 2006

SINGLE AUDIT REPORTING

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

Compliance

We have audited the compliance of University of New Orleans Foundation (the "Foundation"), with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the Foundation's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Foundation's internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of University of New Orleans Foundation as of and for the year ended June 30, 2006, and have issued our report thereon dated August 28, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of University of New Orleans Foundation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Board of Directors, management, and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte + Touche LLP

August 28, 2006

UNIVERSITY OF NEW ORLEANS FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor	Federal CFDA #	Federal Expenditures
Department of Education	84.215K	\$ 180,157
U.S. Department of Commerce (Award No. 08-01-03836)	11.300	<u>156,356</u>
		<u>\$ 336,513</u>

UNIVERSITY OF NEW ORLEANS FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when University of New Orleans Foundation (the "Foundation") has met the cost reimbursement or funding qualifications for the respective grants. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Accrued Reimbursement—Various reimbursement procedures are used for federal awards received by the Foundation. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year.

Payments to Subrecipients—There were no payments to subrecipients for the year ended June 30, 2006.

2. DESCRIPTION OF GRANTS

Various federal agencies provide the Foundation with funds on a reimbursement basis for expenditures incurred by the Foundation in connection with activities that meet requirements set forth in the grant agreement. Total grant awards in the prior year were \$1,500,000 with \$953,693 being funded. Funding from July 2005 to June 2006 amounted to \$81,938. A receivable of \$254,575 is due as of June 30, 2006.

UNIVERSITY OF NEW ORLEANS FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was expressed on the financial statements of the auditee.
- The statement that reportable conditions in internal controls were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- The statement that reportable conditions in internal controls over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- An unqualified opinion was expressed on compliance with major programs.
- There were no findings which are required to be reported in accordance with Section 510(a) of Circular A-133.
- There were no major programs for the year ended June 30, 2006.
- The dollar threshold used to determine major programs was \$300,000.
- The auditee did qualify as a low risk auditee.

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 2006.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings related to the federal awards for the year ended June 30, 2006.

UNIVERSITY OF NEW ORLEANS FOUNDATION

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

There were no findings noted in prior year.

UNIVERSITY OF NEW ORLEANS FOUNDATION

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August 28, 2006

The Audit Committee
University of New Orleans Foundation
New Orleans, Louisiana

Dear Members of the Audit Committee:

In planning and performing our audit of the financial statements of University of New Orleans Foundation (the "Foundation") for the year ended June 30, 2006 (on which we have issued our report dated August 28, 2006), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Foundation's internal control. Our consideration of the Foundation's internal control would not necessarily disclose all matters in the Foundation's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A description of the responsibility of management for establishing and maintaining internal control, and the objectives and inherent limitations of internal control, is set forth in the attached Appendix, and should be read in conjunction with this report. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Foundation's internal control and its operations that we consider to be material weaknesses as defined above.

We did note other matters related to the Foundation's internal control and certain other accounting, administrative, and operating matters. Our comments are presented in Exhibit I and are listed in the table of contents thereto.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the State of Louisiana Legislative Auditor and officials of applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

Yours truly,

ACCOUNTING, OPERATIONAL AND ADMINISTRATIVE COMMENTS
University of New Orleans Foundation
For the Year Ended June 30, 2006

Collection of Pledges Receivable

Observation—We noted during the current year audit that there are several older pledges that are not being collected in accordance with their pledge agreements. A number of pledges showed no activity during the year yet the donors appear to be able to honor their original commitments. In addition, approximately \$97,488 of pledges was written off because these pledges were deemed uncollectible by the Foundation due to lack of support or payment activity. In several instances these pledges appear to be due from individuals of substantial means and the impairment of the receivable is due to deficient follow-up procedures and correspondence on delinquent pledges did not reflect a consistent collection effort.

Recommendation—We recommend that a formal process be implemented to assist in the collection of the pledges. Reminders on delinquent pledges should be sent to the donor quarterly until a personal contact with the donor establishes different payment expectations. This process would allow the accounting department to maintain an understanding of the collectibility of these pledges and reflect the pledges appropriately within the financial statements.

Depreciation of Buildings

Observation—We noted that in several instances building improvements are being depreciated using the same useful life as the related buildings. This method is due to the practice of including building improvements with the related buildings in the underlying fixed asset subsidiary ledger. In addition, when the Foundation is donated assets the Foundation should allocate a portion of the donation to land and a portion to building in order to accurately depreciate the correct value of the building.

Recommendation—The value of building improvements, building, and land should be separated when donations are received. This will facilitate proper depreciation over different useful lives in order to properly reflect the correct depreciation and useful lives of the improvements and the buildings in the financial statements. In recent years, the Foundation has correctly recorded and depreciated all fixed asset purchases and donations. However, we recommend that the Accounting Department undertake a thorough review during the current year of its fixed asset records, focusing on older fixed asset purchases, to challenge the depreciable lives used on asset categories and to ensure that larger asset acquisitions and donations are appropriately disaggregated into separate property classes, e.g., land vs. buildings, buildings vs. building improvements.

Use of Temporarily Restricted Net Assets

Observation—At June 30, 2006, the Foundation had accumulated temporarily restricted net assets of approximately \$8.5 million. Unlike permanently restricted funds, these temporarily restricted funds are available for immediate expenditure provided that such expenditures conform to the designated purpose.

Background—Temporarily restricted funds typically consist of the unexpended income from permanently restricted endowments, or gifts and accumulated earnings thereon which are restricted by donors for a designated purpose. There are two schools of thought concerning how such funds can be expended. Some believe that any expenditure for a purpose consistent with the restrictions imposed on

temporarily restricted funds fulfills such restriction thereby requiring a reduction of such funds. Others follow the practice of treating temporarily restricted funds as emergency funds and only drawing down such funds when unrestricted funds prove insufficient to absorb an expenditure. The practice followed by the Foundation over the past several years has been inconsistent.

Furthermore, the Foundation typically follows the policy of allocating all investment income to unrestricted funds unless a donor restriction dictates otherwise. Thus, investment earnings on unexpended temporarily restricted funds are generally treated as unrestricted income and such accounting treatment is appropriate absent donor restrictions.

Recommendation—The Audit Committee of the Board together with management at the Foundation have undertaken a reexamination of several key policies followed by the Foundation. We recommend that the policies surrounding the use of temporarily restricted funds and the allocation of investment income related to such funds be reviewed by the Audit Committee during the coming year. We further recommend that reports be prepared periodically for senior policy makers concerning the amounts of temporarily restricted funds available to fund budget priorities so that all appropriate financing options can be considered in the budgeting process.

University of New Orleans Foundation
Financial Statements for the Year Ended June 30, 2006
Management Letter Responses
Plan of Corrective Action

Date: November 9, 2006

To: Chair and Members, UNO Foundation Audit Committee
Louisiana Legislative Auditor

This corrective action plan is being provided in response to the management letter dated August 28, 2006 issued by Deloitte & Touche LLP in connection with their examination of the UNO Foundation Financial Statements as of June 30, 2006 and for the year then ended. These management responses should be read in connection with such management letter from Deloitte & Touche LLP.

For the Year Ended June 30, 2006

Collection of Pledges Receivable

Recommendation—We recommend that a formal process be implemented to assist in the collection of the pledges. Reminders on delinquent pledges should be sent to the donor quarterly until a personal contact with the donor establishes different payment expectations. This process would allow the accounting department to maintain an understanding of the collectibility of these pledges and reflect the pledges appropriately within the financial statements.

Management Response We concur in the recommendation and will work with the University Advancement Office to document and implement the pledge collection system. Our development of the procedures last year was interrupted by the massive disruption of operations caused by Hurricane Katrina.

Depreciation of Buildings

Recommendation—The value of building improvements, building, and land should be separated when donations are received. This will facilitate proper depreciation over different useful lives in order to properly reflect the correct depreciation and useful lives of the improvements and the buildings in the financial statements. In recent years, UNO Foundation has correctly recorded and depreciated all fixed asset purchases and donations. However, we recommend that the Accounting Department undertake a thorough review during the current year of its fixed asset records, focusing on older fixed asset purchases, to challenge the depreciable lives used on asset categories and to ensure that larger asset acquisitions and donations are appropriately disaggregated into separate property classes, e.g., land vs. buildings, buildings vs. building improvements.

Management Response We concur in and have already implemented the recommendation.

Use of Temporarily Restricted Net Assets

Recommendation—The Audit Committee of the Board together with management at the Foundation have undertaken a reexamination of several key policies followed by the Foundation. We recommend that the policies surrounding the use of temporarily restricted funds and the allocation of investment income related to such funds be reviewed by the Audit Committee during the coming year. We further recommend that reports be prepared periodically for senior policy makers concerning the amounts of temporarily restricted funds available to fund budget priorities so that all appropriate financing options can be considered in the budgeting process.

Management Response The long-standing policy of the Foundation is to allocate all investment income earned on restricted funds to support the unrestricted operations of the Foundation. In accordance with the policy, exceptions may be granted on a limited basis with approval of the President and CEO. As noted by the auditors, such accounting treatment is appropriate absent donor restrictions otherwise. This policy provides a stream of revenue to help support the unrestricted operations of the Foundation while allowing the President the discretion to grant exceptions as situations warrant.

The *Investment and Endowment Spending Policy* currently provides for a smoothing of the endowment allocations over time by the use of an annual floor and ceiling. The accumulated earnings on endowments, therefore, serve as a reserve from which the floor spending allocation provided in the Investment and Endowment Spending Policy can be funded in the years in which investment earnings fall short of the floor allocation. Since we are implementing the new policy for the first full cycle, we will periodically review the results and design revisions as necessary.